



**CALIFORNIA STATE
PUBLIC WORKS BOARD**

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ NINTH FLOOR ■ SACRAMENTO CA ■ 95814-3706 ■ (916) 445-9694

STATE PUBLIC WORKS BOARD

April 15, 2013

MINUTES

PRESENT:

Mr. Todd Jerue, Chief Operating Officer, Department of Finance
Mr. Esteban Almanza, Chief Deputy Director, Department of General Services
Mr. Malcolm Dougherty, Director, Department of Transportation
Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office
Ms. Julie Giordano, Assistant Director, Public Finance Division, State Treasurer's Office

Honorable Jim Frazier, Assembly Legislative Advisor

CALL TO ORDER AND ROLL CALL:

Mr. Todd Jerue, Chairperson of the Board called the meeting to order at 10:00 a.m. Mr. Greg Rogers, Executive Director for the Board, called the roll. A quorum was established.

Mr. Jerue stated that the first order of business was Action Item #1 due to its relation to Bond Item #1. Mr. Jerue noted only the Department of Transportation, Department of General Services, and Department of Finance (Finance) Board members would vote on Action Item #1.

ACTION ITEMS:

Mr. Jason Haas, Board Staff, stated action Item #1 was for the Judicial Council's New Yuba City Courthouse, located in Sutter County. The project is managed by the Administrative Office of the Courts (AOC) and the proposed action was to consider recognizing a scope change that occurred out of process.

The project authorized the construction of a seven-courtroom, 78,708 square foot (sf) courthouse facility to consolidate court functions, including six courtrooms currently housed in three separate locations. The AOC had requested a scope change for the project to decrease the size of the facility by a net of 4,848 sf, or 6.2 percent, in an effort to reduce project costs. Some of the changes included: (1) reducing the basement size by 4,272 sf by making a number of changes, such as reducing holding capacity from 109 to 34 in-custody persons; (2) moving the sally port to the ground level; (3) various net program space reductions; and (4) extensive value engineering.

Staff noted they did not have concerns with the merits of the proposed changes; their concerns were related to the process and the fact that the AOC incorporated significant changes in the design documents and completed the working drawings without discussing these changes with Finance or noticing the appropriate legislative committees in violation of administrative policy and statutory requirements.

Staff further noted that AOC committed a similar misstep relative to the scope change process in 2010, but reportedly developed procedures to prevent future occurrences. The AOC acknowledged it did not follow the proper protocols and asserted that its failure to do so was an oversight, but those steps were clearly ineffective. The AOC acknowledged its procedures developed in 2010 were inadequate. As a result, Finance requested the AOC identify more

effective controls and report back with a corrective plan to implement the necessary corrective measures. AOC has submitted a comprehensive plan to Finance and again has agreed to take steps to ensure this situation will not be repeated. In addition to the AOC's proposed changes, Finance added the requirement that the AOC report back in six months and annually thereafter to verify that all of the proposed steps have been taken.

While Finance has approved the scope change and the Joint Legislative Budget Committee did not have negative comments relative to the changes, both entities have advised the AOC that similar situations in the future would not be tolerated and significant consequences should be expected in the future if this type of situation reoccurs.

Based on the AOC's corrective plan and the additional reporting requirements, as described, staff recommended recognizing the scope change.

Mr. Jerue asked AOC staff to explain why the steps failed to prevent the current situation. Ms. Giselle Corey from the AOC explained the AOC experienced \$1.4 billion in sweeps and redirections which caused them to readjust the program on a continual basis. With the 2013 Budget Act, there were significant changes to the budget that required the AOC to return to the Court Facilities Working Group and address changes, which in turn established a Cost Reduction Subcommittee that wanted to review all of AOC's capital projects to determine if they could afford more with the additional reductions. In summary, it was an oversight on behalf of the AOC, and the necessary steps for future projects are being taken to ensure Finance is notified in a timely manner.

Mr. Jim Lombard inquired whether there were other projects that fell under the same category. Ms. Corey responded there weren't any other construction projects; however, there may be other projects.

Mr. Dougherty asked if this was a permanent deduction in scope. Ms. Corey agreed.

There were no further questions or comments from the Board or the public.

A motion was made by Mr. Dougherty and seconded by Mr. Almanza to approve Action Item #1. Action Item #1 was approved by a 3-0 vote.

BOND ITEMS:

Mr. Greg Rogers, Executive Director of the Board, informed the Board there are two Bond Items listed on the agenda which represent the Board's second and final sale this spring. If approved, the bonds would be priced the week of April 22-23, 2013, and close May 1, 2013. The total bond issuance was estimated to be \$389.6 million and the proceeds would fund the New Yuba Courthouse project discussed as Action Item #1 and the refunding of the 2004 Series A Coalinga State Hospital bonds.

The Board was asked to approve and adopt two Resolutions, one for each series of bonds to be issued. The resolutions, if approved and adopted, would authorize the issuance and sale of the specified Series of Bonds. Additionally, the Resolutions approve forms of the documents identified in the respective Resolutions for either execution or delivery.

BOND ITEM #1: If approved, would authorize the issuance and sale of the State Public Works Board 2013 Series D Bonds to fund the Yuba City Courthouse located in Sutter County.

Approval and adoption of the Resolution for Bond Item #1 would approve the form of and authorizes the execution and/or delivery of:

1. the 118th Supplemental Indenture to the Board's Master Indenture,
2. a Site Lease and Facility Lease,
3. a project delivery agreement,
4. a Continuing Disclosure Agreement,
5. a Bond Purchase Agreement,
6. a Preliminary Official Statement and an Official Statement,
7. as well as other related actions in connection with the issuance, sale and delivery of said revenue bonds.

The estimated PAR value of the 2013 Series D bonds was \$59.2 million, with a not to exceed PAR of \$69 million and a not to exceed TIC of 5.94 percent. Based on the latest information the estimated interest cost was approximately 3.93 percent.

Staff recommended adoption of the Resolution and approval of Bond Item #1.

There were no questions or comments from the Board or the public.

A roll vote was requested: all Board members voted to adopt and approve the resolution.

Bond Item #1 was approved by a 5-0 vote.

BOND ITEM #2: Mr. Rogers reported if approved, Bond Item #2 would authorize the State Public Works Board 2013 Series E Bonds to refund the Board's 2004 Series A Bonds for the Department of State Hospitals' Coalinga State Hospital located in Fresno County.

Approval and adoption of the Resolution for Bond Item #2 will authorize the issuance and sale of the State Public Works Board 2013 Series E Bonds to refund a portion of the Board's outstanding 2004 Series A Bonds as well as approve the form of and authorize the execution and/or delivery of the following:

1. a 119th Supplemental Indenture to the Board's Master Indenture,
2. a First Amendment to Agreement for the Transfer of Control and Possession,
3. a First Amendment to the Facility Lease,
4. an Escrow Agreement,
5. a Continuing Disclosure Agreement,
6. a Purchase Contract.
7. a Preliminary Official Statement and an Official Statement, and
8. other related actions in connection with the authorization, issuance, sale, and delivery of the 2013 Series E refunding bonds.

The estimated PAR value of the 2013 Series E Bonds that would be authorized upon adoption of the resolution was \$330.4 million, and the estimated "not to exceed" par amount of the refunding bonds was \$408.6 million.

Staff recommended adoption and approval of Bond Item #2.

There were no questions or comments from the Board or the public.

A roll call vote was requested: all Board members voted to approve and adopt the resolution.

Bond Item #2 was approved by a 5-0 vote. Given the bond items have concluded, two of the members exited and the meeting continued with the remaining three members.

MINUTES

Mr. Jerue stated the next order of business was approval and adoption of the minutes from the March 8, 2013. Mr. Rogers reported that staff had reviewed the minutes and recommend approval and adoption of the minutes.

A motion was made by Mr. Almanza and seconded by Mr. Dougherty to approve and adopt the minutes from the March 8, 2013 meeting. The minutes were approved by a 3-0 vote.

CONSENT ITEMS:

Mr. Rogers informed the Board there were 11 Consent Items. Mr. Rogers noted action on Consent Item #1 was being deferred and the item would be presented at a subsequent meeting to allow time to address some legal questions related to the Solar Power Purchase Agreement.

Thus, the Consent Calendar consisted of items 2 through 11. In summary, these items include:

- 1 request to approve preliminary plans and an augmentation, Item 2
- 1 request to authorize acquisition, Item 3
- 1 request to approve preliminary plans and recognize revised project costs, Item 4
- 5 requests to establish scope, cost, and schedule, Items 5, 6, 7, 8, and 9
- 1 request to approve preliminary plans, Item 10
- 1 request to recognize a scope change and approve an augmentation, Item 11

Staff recommended approval of Consent Items 2 through 11.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Dougherty and seconded by Mr. Almanza to approve Consent Calendar Items 2 through 11. The Consent Items were approved by a 3-0 vote.

ACTION ITEMS

Mr. Randy Katz, Board Staff, stated Action Item #2 was for the California High Speed Rail Authority, and was to consider adoption of a Resolution approving a form of Agreement for Possession and Use, Optional Clauses and Memorandum of Agreement for Possession and Use and the delegation of authority to execute certain agreements and memoranda for the possession and use of property for the California High Speed Rail Authority.

Mr. Katz stated the Authority anticipates that some property owners may not agree with the compensation being offered, but do not object to giving up their property. In such cases, an owner may agree to enter into this Agreement for Possession and Use, which provides the legal right for the State to possess and use the owner's property prior to obtaining title. If a price cannot be agreed to within the timeframe specified in the agreement, the next action would likely be eminent domain.

To facilitate this process, Board staff and the Authority have prepared a form of Agreement for Possession and Use that is expected to be suitable for the large majority of possession and use scenarios that the Authority may encounter. The form of agreement includes standard optional provisions to use as appropriate in different circumstances. In lieu of bringing each Possession and Use Agreement to the Board for approval, it is requested that the Board approve the form of agreements and delegate to staff the ability to execute agreements for the possession and use if the conditions outlined in the Resolution are met. This delegation is similar to the Board's action in November, 2012 with respect to the approved form of right of way contract.

Situations not falling within the stated conditions would be brought to the Board for consideration. The form of agreement, the optional provisions, and the form of memorandum were provided to the Board.

In summary, staff recommended approval and adoption of the Resolution approving a form of Agreement for Possession and Use, Optional Clauses, and Memorandum of Agreement for Possession and Use and the delegation of authority to execute such agreements if conditions outlined in the Resolution were met for the California High Speed Rail Authority.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Dougherty and seconded by Mr. Almanza to approve Action Item #1. Action Item #1 was approved by a 3-0 vote.

OTHER BUSINESS:

Mr. Rogers reported Other Business Item #1 was to consider making a determination that excess monies remaining in Revenue Funds/Accounts in the Public Building Construction Fund for certain series of the Board's energy efficiency bonds were no longer required to enable the Board to properly perform the duties authorized by Chapter 2.7 (commencing with section 15814.10) of the Government Code.

Staff recommended the Board make a determination that the excess monies in the Revenue Funds/Accounts for the 1995A, 1996A and 1998A energy bonds were no longer required for the program.

There were no questions or comments from the Board or the public.

A motion was made by Mr. Almanza and seconded by Mr. Dougherty to approve staff's recommendation for Other Business Item #1. Other Business Item #1 was approved by a 3-0 vote.

REPORTABLES

Mr. Rogers reported there were five Reportable items that would be posted to the website following the conclusion of the meeting. In summary, there were two requests to approve an augmentation and three requests to approve a reversion of bid savings.

NEXT MEETING:

Mr. Rogers stated the next State Public Works Board meeting is scheduled for **Friday, May 10, 2013, at 10:00 a.m., at the State Capitol, in Room 113.**

The meeting was adjourned at 10:30 a.m.